

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
THE REPORT OF EXAMINATION OF
FARMERS MUTUAL AID
ASSOCIATION OF ARKANSAS,
FORT SMITH, ARKANSAS**

AID NO. 2006- 047

ADOPTION ORDER AND FMAA DISSOLUTION

Now on this day the matter of the Report of Examination ("Report" or "Report of Examination") as of December 31, 2005, of Farmers Mutual Aid Association of Arkansas ("Company" or "FMAA"), of Fort Smith, Arkansas, FEIN Number 71-0054808, is taken under consideration by Arkansas Insurance Commissioner Julie Benafield Bowman ("Commissioner"), as presented by the Chief Counsel, Ms. Jean Langford, Legal Division, and the Finance Division of the Arkansas Insurance Department ("Department"). The Commissioner finds as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. The Company is an Arkansas-domiciled farmers' mutual aid association.
3. Pursuant to Ark. Code Ann. §23-73-104(2) and §23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records and assets of the Company as of December 31, 2005.
4. The examination was commenced by the Department on June 29, 2006, and completed on June 30, 2006.
5. The verified Report of Examination was filed with the Department on August 28, 2006. It was then forwarded to the Company via certified mail on August 29, 2006. The Company received the Report on August 30, 2006, according to the certified mail return receipt.
6. The Report of Examination identified no discrepancies or deficiencies concerning the Company's operations as verified during the examination or as noted by the Examiner-in-Charge.

7. The Company made no response to the Department on the Examiner's comments in the draft Report of Examination.

MATERIAL EVENTS

A. That on February 28, 2005, the Company's Board of Directors unanimously adopted a resolution recommending the "cancellation and annulment" of all policies effective January 1, 2006, the next renewal date for all the FMAA's outstanding policies. The Board recommended that it was in the best interest of the FMAA and its members voluntarily to dissolve the FMAA, under the provisions of Ark. Code Ann. §23-73-113(b) (2) (A) (iii) (Supp. 2005). On September 26, 2005, a Special Meeting of members of the FMAA was held and a plan of voluntary dissolution was unanimously passed, as is required for voluntary FMAA dissolutions under Ark. Code Ann. §23-73-120 (Supp. 2005).

B. That all policies were subsequently cancelled or non-renewed pursuant to the plan of voluntary dissolution. Pursuant to the Company's Articles, membership in the FMAA ceases upon cancellation or termination of the FMAA policy for any cause.

C. The verified Report of Examination stated that the FMAA had been "granted a release of its statutory security deposit posted with the Department, pursuant to Ark. Code Ann. §23-73-105(f)(2)(B)". As of December 31, 2005, the FMAA had no assets on deposit with the Department. Subsequent to the mailing of the verified Report of Examination to the Company in 2006, it was determined that the FMAA did not statutorily apply for authority to write any liability insurance policies and had no need for a statutory deposit with the Department. The Department subsequently confirmed that no liability policies were in force and no deposit had been posted with the Securities Administrator.

D. After obtaining prior approval from the Department for the FMAA's proposed Voluntary Dissolution Plan, the Company submitted to the Department its Final Report and Accounting on June 7, 2006, according to Ark. Code Ann. §23-73-120(a)(5) (Supp. 2005). Subsequent to this examination, the FMAA's Certificate of Authority shall be voluntarily surrendered to the Department and processed for cancellation by Department personnel on or immediately after the date the final Report of Examination is adopted and its companion Order is signed by the Commissioner for mailing to the Company. Appointed

by the Company to complete the business affairs of the FMAA at and after dissolution are three policyholders and the FMAA Treasurer, including Mr. Joe Ehmann, Mr. Frank Shaw, Mr. Eugene Post, and Mr. Lee Nutt. Among other duties, these officers shall see to the payment of any final debts owed by the Company, if any remain, and to the distribution of final remaining assets of the Company, if any.

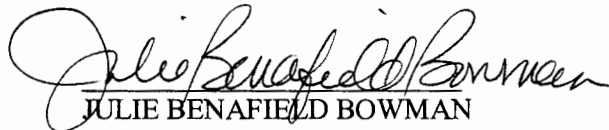
THEREFORE, pursuant to the provisions of Ark. Code Ann. §23-61-205 and Ark. Code Ann. §23-73-104(2), the Commissioner hereby orders and directs that:

1. The Examination Report, as filed with the Department, shall be corrected to show that the FMAA did not qualify to nor did it write liability insurance, had no need for a statutory security deposit with the Department under Ark. Code Ann. §23-73-105, and no monies or assets were posted with the Department for that purpose;
2. The Examination Report, as corrected, is hereby adopted;
3. The Department shall forward a copy of this Order and the adopted Report of Examination, as corrected, to the FMAA's last elected Board of Directors via certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledgement of receipt of the adopted Report of Examination, as corrected, and this Order;
4. Within twenty (20) days of receipt of this Order and the adopted Examination Report, the FMAA's Board shall file with the Department affidavits executed by each one of the Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report, as corrected;
5. The adopted Report of Examination, as corrected, shall be open for public inspection upon the expiration of thirty (30) days from receipt of this Order by the FMAA's last elected Board of Directors;
6. Department personnel certify the formal, voluntary dissolution of the FMAA to the Arkansas Secretary of State, in accordance with Ark. Code Ann. §23-73-120(a)(Supp. 2005). The Commissioner shall record the FMAA charter dissolution, and termination of all policies, and termination of its former Arkansas Certificate of Authority, on the Department's permanent records. Additionally, the

Commissioner's staff shall notify all former appointed insurance producers of the FMAA of its charter dissolution and termination of the FMAA's former Arkansas Certificate of Authority; and

7. The Arkansas Certificate of Authority for Farmers Mutual Aid Association of Arkansas shall be cancelled on or immediately after the date this Order is signed for mailing to the Company.

IT IS SO ORDERED this 3rd day of November, 2006.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS